

charges abroad, but now pays hardly a fifth outside the Kingdom.*

The new monetary system, by which the gold crown (\$0.203) became the unit of value, went into operation in 1900. The sum of 112,000,000 florins (\$22,736,000) in government bills was gradually replaced, with the help of the bank, by 5-crown pieces in silver and new bank notes. The bank received from the Treasury 224,000,000 crowns in new gold pieces of 20 crowns, which exactly equalled the outstanding government notes, and afforded a complete cover for 64,000,000 crowns in 5-crown pieces and 160,000,000 crowns in lo-crown notes. Of this deposit the government of Austria paid 156,800,000 crowns and that of Hungary 67,200,000 crowns.² The circulation of old notes ceased to be permitted after September 1, 1901, and the notes ceased to be legal tender after February 28, 1903. Already by the first of October, 1902, the amount outstanding had fallen to 6,500,000 crowns (\$1,319,500), and the gold in circulation early in 1903 consisted of 35,980,510 crowns in lo-crown pieces and 103,923,160 in pieces of 20 crowns (\$4.06). By the close of 1903 the gold resources of the bank were 1,256,000,000 crowns and afforded a cover of 86 per cent, for an outstanding circulation of 1,550,000,000 crowns. Only political differences between the different parts of the Dual Monarchy stood in the way of a mandatory law compelling the redemption of bank-notes in gold on demand.³

¹ *Vide infra*, 28.

* Raffalovich, *Le Marche Financier en 1902-1903*, 817. The economic effect of these operations is thus described by Willis: "It was sought to transform the legal-tender notes into bank notes and then to provide for their management upon banking principles. In this way the volume of the circulation would not be disturbed. The means of obtaining the bank notes for the redemption of the legal tenders were, however, in this case thoroughly sound."—"The Austrian Monetary Reform," in *Sound Currency*, August, 1899, VI., 127.

⁸ One of the grounds of indifference in Austria was the feeling that resumption of specie payments would enable Hungary to emancipate